The FICA Alternative Retirement Plan

Savings to the Employer and a Benefit for the PST Employee.

Overview

A FICA Alternative Retirement Plan allows qualified Governmental Employers to eliminate and save the matching 6.2% FICA Taxes on the wages paid to Part-Time, Seasonal & Temporary (PST) employees.

Connecticut Plans

West Hartford Public Schools
Town of West Hartford
Trumbull Public Schools
Plainville Public Schools
Town of Vernon
Vernon Public Schools
Stamford Public Schools
City of Stamford
And More

How does Colchester qualify?

Many Connecticut governmental entities did not withhold FICA taxes prior to 1990 for Part-time, Seasonal and Temporary employees (PST) as permitted by their 218 Agreement.

Under the Omnibus Budget Reconciliation Act of 1990 (OBRA) FICA was made mandatory for all employees.

OR

Every employee, including PST employees, had to be covered by a retirement plan.

Employer Options

A) Mandate Social Security for all PST Employees.

B) Add PST employees to current retirement plan for full-time employees

Or

Implement a
FICA Alternative Retirement Plan
specified under IRC 3121.

How does a FICA Alternative Plan Work?

The PST employee contributes 7.5% pre-tax dollars to a specialized 457 plan versus the current 6.2% after-tax contributions to Social Security. Medicare contributions do not change.

Employee Benefits

* Receives a 100% vested retirement account.

* Accounts earns a current market rate of interest.

* Account is available upon termination of employment as a taxable distribution or as a rollover to another eligible plan.

Pay Check Comparison 7.5% Pre-Tax versus6.2%?

	FICA Alternative Plan	Social Security
Gross Check	$1,000	$1,000
Less Pre-Tax 7.5%	$75	$0
Taxable Income	$925	$1,000
Less 15% Income Tax	$138.75	$150
Less After-Tax 6.2%	$0	$62
Less 1.45% Medicare	$14.50	$14.50
Net Check	$771.75	$773.50

Cost Analysis

- Minimal cost to employer
- Little administration to employer
- Low Distribution cost to the PST employee. The employee will not get less back than 100% of their contributions made to their account.

Summary

The FICA Alternative Plan saves the Employer 6.2%Payroll taxes for all PST Employees.

The Employee has more control of their Retirement Funds.

The FICA Alternative Retirement Plan

Thank you ☺